

Resources and Environmental Protection

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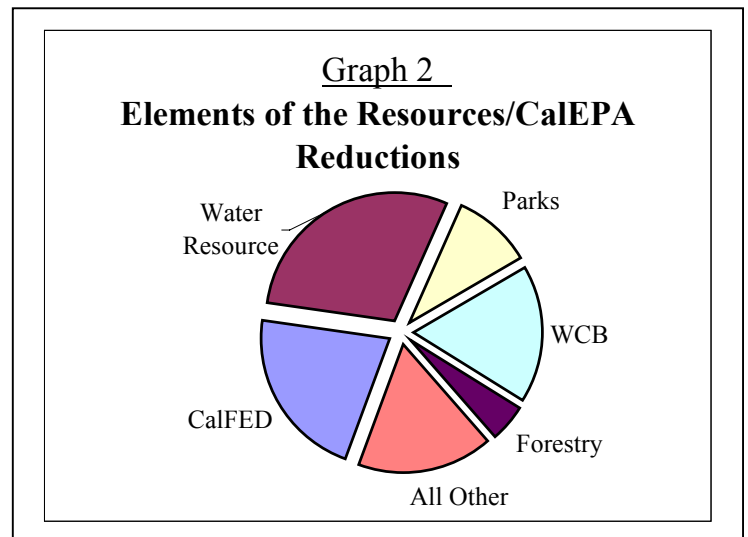
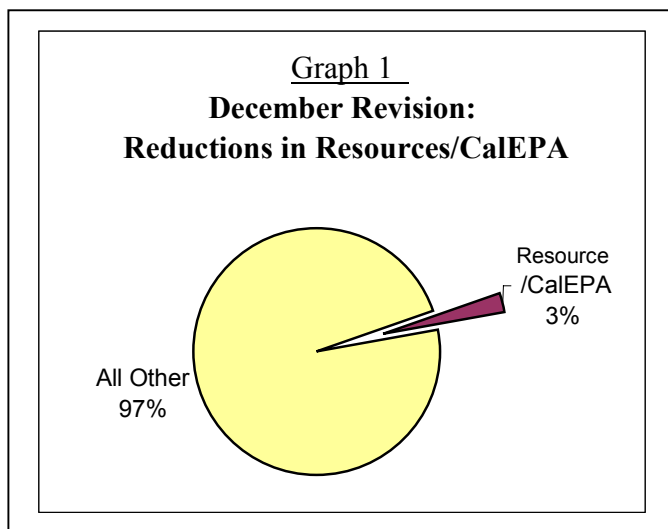
RESOURCES AND ENVIRONMENTAL PROTECTION

The December Revision reduces funding for the natural resources policy area by about \$250 million, accounting for less than three percent of the total revision. Graph 1 illustrates the point.

Of these reductions, the largest are associated with

- Reducing flood management activities at the Department of Water Resources,
- Shifting the funding sources for CalFED and the Wildlife Conservation Board (WCB) from General Fund to bond funds,
- Raising fees at the Department of Parks and Recreation, and
- Increasing federal funds at the Department of Forestry and Fire Protection.

Graph 2 details the proportionate share of these elements.



Current-Year Impacts. For the current year, the December Revision reduces General Fund support for Resources and Environmental Protection by about \$151.6 million (\$142.674 from Resources and \$8.926 from Cal-EPA). When compared to other areas in the budget, these reductions contribute nearly 4.5 percent of the total reductions in the current fiscal-year.

See Appendix A for a complete listing of all current-year Resources/Environmental Protection reductions.

The majority of the reductions are derived from: (a) reverting General Fund from the Wildlife Conservation Board (\$25 million from the Cargill acquisition, and \$19.5 million from other wetlands projects) and instead using Props. 40 and 50 to fund them; and (b) reverting \$58 million in General Fund for flood control subvention arrearage.

It is somewhat misleading to characterize these cuts as “mid-year reductions.” Many of the reductions are not one time; they take place both in the current fiscal year and continue into the 2003-04 budget-year and beyond. Therefore, the “mid-year cuts” will have permanent, and in some cases, significant programmatic effects.

Reductions Have a Significant Effect on Resources Programs. When examining the resources and environment budgets, it is important to distinguish the various program areas. Program funding can be divided into three elements:

1. *State Operations.* State operations refers to all programs administered by the various departments, boards, and commissions within the Resources and CalEPA agencies. Examples of state operations programs are: enforcement (Fish and Game wardens and Park rangers), environmental quality (Core Regulatory program, Stationary Source program), and conservation planning.
2. *Local Assistance.* Local assistance refers to grants to local governments or agencies for specific programs. Examples of local assistance programs include: Local Flood Control subventions, subvention grants to local air districts, and grants to county agricultural commissioners.
3. *Capital Outlay.* The Capital outlay program is generally capital viewed as land acquisitions and building construction. Within Resources, capital outlay can refer to land acquisitions for the state park system, habitat protection, or to assist land trust groups.

For the current fiscal-year, state operations receives over 69 percent of all Resources/Environmental protection funding (approximately \$3.06 billion, including anticipated federal funds). The General Fund supports 20 percent (\$911 million) of all state operations funding. However, the majority of General Fund

support for state operations is primarily dedicated to three departments. The Department of Forestry and Fire Protection in the current-year will receive \$410.2 million, the Department of Parks and Recreation will receive \$122.8 million, and the Department of Water Resources will receive \$111.2 million. Without factoring in the mid-year proposals, all other resources and environmental protection departments, boards, and commissions will receive \$267.2 million.

Of the \$153.3 million associated with the reductions proposed for the current year, \$51.1 million is identified for state operations. The total reduction may at first appear small, however a \$51.1 million General Fund reduction for state operations results in a 19 percent reduction to all resources/environmental protection departments outside of Forestry/Fire Protection, Parks, and Water Resources. Because the Department of Forestry and Fire Protection is responsible for fire suppression, and the Department of Water Resources administers the State Water Project, it is reasonable to not propose significant cuts to these departments. Drastic cuts to the Department of Parks of Recreation would require significant fee increases for park users, or the state would have to shut down state parks.

While considering the December Revision, the Legislature may wish to consider the long-term programmatic effects for resources/environmental protection. Resources funding may be viewed in the context of land acquisitions and park openings, but vital programs have been established in response to the state's commitment to protecting the environment and natural resources. A broader problem for resources is the partial reliance on General Fund support for these core programs. In a time of budget deficits, resources program funding is almost certain to receive major reductions. For the current fiscal year alone, programs outside of fire protection, state park administration, and the state water project would receive a 19 percent reduction in the mid-year proposal. The Legislature may wish to consider long-term funding options that would stabilize resources funding and provide minimum funding levels to those programs the Legislature determines to be a high priority.

Below, Senate staff identify issues with specific components of the Governor's proposal.

DEPARTMENT OF CONSERVATION (DOC)

The December Revision shifts \$471,000 in the Mineral Classification program from General Fund to the SMARA Account (\$283,000) and Mine Reclamation Account (\$188,000).

Staff Recommendation:

- Approve proposed General Fund cut of \$471,000 for Mineral Classification work.
- But adopt alternative appropriation language requiring the additional expenditures of \$283,000 from the SMARA Account and \$188,000 from the Mine Reclamation be only used for: (1) review of reclamation plans and financial assurances; and (2) enforcement of SMARA.
- Enact trailer bill language repealing the Mine Classification provisions of SMARA (PRC Sections 2761 – 2764).

Rationale:

The Department of Conservation is proposing to reduce General Fund expenditures for Mineral Classification work by \$471,000, and is asking the Legislature to appropriate an equivalent amount of “savings” in the SMARA Account and Mine Reclamation Account. These “savings” occurred as a result of DOC losing 9 staff positions in the Office of Mine Reclamation (OMR) due to the “vacant position” requirements of the 2002 Budget Act. But, Because the savings are not “fungible,” the moneys reverted to these two accounts and not the General Fund.

The DOC budget office indicates that elimination of these 9 OMR positions resulted in a 40% reduction in the number of the department staff previously budgeted for administration and enforcement of the mine reclamation and financial assurance requirements of SMARA. Staff believes, however, that Mineral Classification work is much lower priority compared to enforcement of these other SMARA requirements, and any savings to these two accounts should be made available for reviewing reclamation plans and financial assurances, and SMARA enforcement.

NRW STAFF RECOMMENDATION: Making the program paid for by industry, creating an equitable fee base and using SMARA fees to pay for abandoned mine clean-up

- PRC Sec. 2207 caps mine reporting fees at \$2000 per mine and have not been raised since 1990. Increase the cap on the fee to \$10,000 and the total cap on fees collected from 1.4 million to 5 million. The increase in the \$2000 fee

creates more equity by allowing the DOC to assess fees based on the size of the operation in a more fair, equitable fashion. By allowing the DOC to more equitably spread the fee, they will be able to ensure that an adequate review of mining activity, inspections and review of financial assurances are conducted. The increase in the total amount collected (5 million) makes possible more environmental protection and, in doing so, alleviates current burdens on DOC funds by distributing them to industry.

- Currently, the state spends only \$100-200,000 a year for the identification and clean-up of abandoned mine sites. This amount of money does not even cover the cost of one major mine reclamation project—which includes revegetation to prevent floods and erosion and toxic clean-up to protect downstream watersheds. This program of DOC may be one of the most important projects in terms of public safety—however, it has been consistently underfunded. Unlike other industries, such as the paint industry and tire industry, who have minor fees to cover state general fund costs of lead abatement/testing and waste tire clean-up—the mining industry has no fees to support the immense amount of public hazards which have been generated over the centuries of this industry in California. Staff is recommending a very minor fee be added onto the current mining fees to be allocated into the Abandoned Mine Cleanup Program. This suggestion is more than reasonable considering the non-fuel mineral industry constitutes a 3.27 billion dollar industry in this state according to estimates provided by the DOC in 2001.
- Specifically, staff recommends that as part of the above proposal of raising caps—that the DOC incorporates funding of the abandoned mine program into SMARA. The budget bill language should allocate 20% of the total amount collected in SMARA fees (\$5 million with a COLA) to fund the abandoned mine program.

An alternative presented to committee staff was to enact legislation to shift all financial support for SMARA and State Mining Board that currently comes from the “SMARA Account” (\$2 million annual allocation of federal funds from Mineral Lands Leasing Act) to mine reporting fees collected from mining industry and deposited into the Mine Reclamation Account by repealing PRC Sec. 2795 and amending to PRC Sec. 2207. However, the public health costs and environmental quality costs of not completely implementing the SMARA program are quite large. If reviews of financial assurances are not conducted, etc. the state will very likely face large economic consequences in the future: including having to mitigate mines which have not been restored to pre-mining condition. Staff of the NRW

Committee, at this point, does not support this option but wanted to present it to Budget staff for their consideration. If budget staff takes this consideration then the cap on the mining fees needs to be elevated to cover than 2 million dollar loss to the account.

STATE LANDS COMMISSION

The December Revision reverts \$1.6 million (General Fund) from the commission. The Legislature had appropriated the funds for hazard-removal projects in state-owned rivers, bays, and sloughs.

Staff Comments: If funding for hazard-removal projects is reverted, then boating registration fees (Vehicle Code §9853) and fees for renewal of boating certificates of number (Vehicle Code §9860) should be increased in an amount necessary to fund the removal of these hazards as an ongoing program. The \$5 fees have not been increased for over twenty years. According to the Department of Motor Vehicles, as of October 31 there are 889,597 boats registered in California. Increasing the fee by \$2 could generate funds to support an ongoing hazard removal program by the commission.

Staff Recommendation: Approve the proposed reversion, but approve trailer bill language to establish a permanent hazard removal program.

DEPARTMENT OF FISH AND GAME

The December Revision reduces funding for the department two ways. Specifically, it:

1. Reduces funding for Timber Harvest Plan (THP) review by \$425,000 and 4.8 positions.

Staff Comments: Funding for THP review is especially important given the increased rate of clear-cutting in the Sierra and the numerous issues posed by logging involving water quality, fish and wildlife habitat, and watershed protection. THP review by DFG is currently in the 15% range, and this cut will further reduce by 20% that already low number. (LAO and Senate Natural Resources have received conflicting information from the department on this.) According to the Department, the proposed cut will result in the elimination of

2 positions in the Central Sierra and 3 positions in the Southern Sierra as well as related operating expenses for those 5 employees. It is in the Sierra that environmental issues from logging are at the forefront. We should pursue ways to get more THP review in the Sierra, and even consider shifting some north coast personnel. A separate reason for concern is that the Central Sierra only has 2 actual THP reviewers, and it is unclear if the proposal applies to these positions or unfilled positions.

Staff Recommendation: Deny proposal to reduce THP funding.

2. Reduces funding for enforcement by \$1.6 million and 29.5 positions (Fish and Game Wardens).

Staff Comments: Fish and Game Wardens perform numerous functions for the department, including the protection of California's public trust resources. Enforcement at the department has been historically been understaffed and underfunded. The Legislature approved \$31.6 million and 200 positions in the 2000-01 Budget Act to address chronic underfunding of enforcement, monitoring, environmental review, maintenance, and administration at the Department. Eliminating these positions would hinder any progress made by Department to increase enforcement activities, and would undermine the Legislature's intent to increase funding for enforcement.

Staff Recommendation: Deny proposal to reduce funding and positions for enforcement.

DEPARTMENT OF WATER RESOURCES

The December Revisions shifts the funding source for implementing the recommendations of the Drought Panel. The revision substitutes Proposition 50 bond funds for the General Fund.

Staff Comments: Shifting the funding source could delay implementation of the recommendations. Recommendations from panels such as these are not time sensitive, nor will delay in this activity result in the loss of any habitat or wildlife. There is no reason to believe that the benefit of any past work will be lost, nor

future cost realized if this panel does not continue to meet. These funds should be directed toward habitat or wildlife protection.

Staff Recommendation: Approve the \$6.4 million reduction without shifting program support to Proposition 50.

WATER RESOURCES CONTROL BOARD

The December Revision reduces funding for the board in two ways. It:

1. Reduces funding for water quality monitoring activities. Total reductions are \$831,000 in the current year and \$6.8 million in the budget year (nearly one-half of the SWRCB budget for water quality monitoring).

Staff Comments: According to the SWRCB, “Loss of this funding would end a multiyear contract for ambient groundwater monitoring in high groundwater use areas. This reduction will delay monitoring work that is related to the comprehensive statewide monitoring plan being developed pursuant to AB 599. \$1.666 million remains available for groundwater monitoring.”

Water quality monitoring (particularly for groundwater quality) is a basic function of the water board, and is essential to permitting and enforcing water quality standards. The subcommittee and the Legislature have sought to increase water quality funding in recent years due to the lack of information on the environmental effects of overdrafting groundwater aquifers. Impacts of this reduction appear to be much more significant in the budget year and beyond.

Staff Recommendation: The subcommittee may wish to approve this cut for the current year, but defer action on the budget year reduction until it can evaluate it in the context of the January 10 budget.

2. Reduces funding for the Water Rights Program by \$610,000 in the current-year and \$3.32 million in the 2003-04 budget-year.

Staff Comments: The board’s water rights program allows parties who wish to “appropriate” (*i.e.*, use for their own purposes) state waters to perfect their right to do so through board approval. These approvals are generally granted with conditions which protect the rights of other parties and the beneficial uses of the water.

According to the Water Board, “Before the SWRCB can grant an appropriate water right permit, it must find that there exists in the source stream sufficient unappropriated water to support the possible project and it must assess the environmental impacts of the project. Funds are used to contract with private consultants to perform a water availability analysis that determines whether sufficient unappropriated water exists and to compile an appropriate environmental document.”

The subcommittee and the Legislature generally have sought to improve the process for issuance of water rights. In FY 2000-2001, the LAO identified significant backlogs in the review and issuances of water rights by the board. It has been suggested that, in order to fund this program, the Legislature should institute a “user pays” system whereby parties applying for water rights would pay a fee to cover the costs of the water board in evaluating and issuing a grant of water rights.

Staff Recommendation: Given the impacts on the environment of this reduction, the subcommittee may wish to defer action on this item, or approve it contingent on the enactment of a fee program to cover the costs of this reduction.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

The revision reduces funding for oversight of state and federal orphan sites.

Staff Comments: According to DTSC, “this proposal is a \$354,000 reduction in General Fund plus a \$1,046,000 shift from General Fund to the Toxic Substances Control Account (TSCA) for DTSC’s oversight costs of state and federal orphan hazardous substance release sites. This reduction will not impact DTSC’s oversight activities as the reduction is consistent with current expenditure patterns. The Health and Safety Code identifies TSCA as the appropriate funding source for this activity and TSCA is the funding source for the contractual costs related to these sites.”

Staff Recommendation: Given the concerns that have been raised over issues of environmental justice, brownfields, and the slow pace of orphan site cleanups, the committee may wish to ask for additional information on the actual cleanups impacted.

OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)

The December Revision reduces funding for Pesticide and Environmental Toxic Section by \$107,000 in the current year and \$775,000 in the budget year.

Staff Comments: According to OEHHA, “The Pesticide Epidemiologist and Health Educator positions (which are currently vacant) would be eliminated. These positions conduct epidemiological studies of populations living near agricultural areas where pesticide use is the greatest and perform education and outreach activities, such as working with local government and community organizations to develop and disseminate pesticide health risk information. OEHHA would discontinue pesticide-related epidemiological studies, physician education, and outreach activities.”

OEHHA is an inordinately small agency in CAL-EPA and has suffered disproportionate budget reductions in the current year due to its reliance on General Fund.

Staff Recommendation: Given the central importance of OEHHA’s activities in assessing and protecting public health and the environment, the committee may wish to defer action on this reduction or deny the action and find other reductions to make.

ALTERNATIVES

The Legislature may wish to raise fees to help reduce the impact of General Fund reductions on resources programs. In particular:

State Forest Revenues: Enact legislation repealing PRC Sec. 4799.13 that requires all net revenues from state forest timber sales to be deposited into the Forest Resources Improvement Fund (FRIF) and used to finance grants and loans to nonindustrial timberland owners for reforestation and other forest improvement projects on their land. Prior to 1979, all state forest revenues were deposited into the General Fund. \$13 million increase in annual revenues to the General Fund, depending on volume and market value of timber annually sold and harvested from state forest system.

State Forest Nurseries: Require CDF to finance state forest nursery operations from sale of nursery stock (make nurseries self-supporting through its revenues). Another alternative would be for the state to contract with private nurseries for production of nursery stock now produced from three existing CDF-operated forest nurseries. \$1.8 million annual savings to the General Fund.

License and Permit Fees: Enact legislation raising various DFG permit and license fees that are currently set by statute and not otherwise annually adjusted for inflation like sport fishing and hunting licenses. These could include most commercial fishing permits and licenses, commercial aquaculture registration permits, 1601 permits, and fees charged for DFG review of CEQA documents (EIR's and Negative Declarations).

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APPENDIX A

Resources/Cal-EPA

This appendix details the current-year reductions for the Resources and Cal-EPA budgets. The first column identifies which department or agency's budget accrues the reduction. The next two columns briefly describe the anticipated current-year savings. The far right columns address procedural issues relevant to legislative actions:

- Does the Legislature need to take action in January in order to accrue the savings?
- Does the reduction require statutory law change?

Department/ Agency	Description	\$ (in thousands)	Requires Action in January?	Requires Trailer Bill?
Resources	Reduce operating expenses and out-of-state travel.	65	Yes	No
CalEPA	Revert funding for Permit Assistance Centers and reduce out-of-state travel.	88	Yes	No
Corps	Reduce funding for out-of-state travel.	14	Yes	No
Corps	Reduce funding for Corps member benefits program..	655	Yes	No
Corps	Program operations fund shift to the Collins-Dugans Reimbursement account.	1,000	Yes	No
Colorado River Board	Reduce funding for operations.	23	Yes	No
Conservation	Reduce funding for Geological Hazards and Mineral Resources Conservation.	471	Yes	No
Conservation	Reduce funding for out-of-state travel.	26	Yes	No
CDF	Reduce funding for Emergency Fire Suppression and increase federal reimbursements for Federal Emergency Management Agency (FEMA) funds.	5,000	Yes	No
CDF	Revert funding for Alma Helitack Base – helipad relocation project.	485	Yes	No

CDF	Close two air attack bases, twenty-two lookout stations, and eliminate a Fire Safe Community Planning Position.	350	Yes	No
CDF	Reduce funding for out-of-state travel.	48	Yes	No
State Lands	Revert funding for hazard-removal projects, and reduce funding for operating expenses and out-of-state travel.	1,726	Yes	No
DFG	Reduce enforcement positions.	1,641	Yes	No
DFG	Reduce timber harvest plan review.	425	Yes	No
DFG	Eliminate urban fishing program.	176	Yes	No
DFG	Reduce funding for information technology	122	Yes	No
DFG	Reduce funding for in-state and out-of-state travel.	123	Yes	No
WCB	Revert General Fund appropriation for various capital outlay projects and substitute with Proposition 40 funds.	44,129	Yes	No
WCB	Reduce funding for out-of-state travel.	86	Yes	No
Coastal Commission	Eliminate local assistance funding for the Local Coastal Program.	500	Yes	No
Parks andRec	Revert funding for operations.	665	Yes	No
Parks andRec	Revert General Fund for support of State Park system and increase funding for Parks and Recreation fund through fee increase.	4,500	Yes	Yes
BCDC	Reduce General Fund	411	Yes	No
DWR	Shift General Fund support for Drought Panel Recommendations to Proposition 50 bond funds.	6,400	Yes	No
DWR	Shift General Fund support for Delta Levee Subventions to Proposition 50.	1,000	Yes	No
DWR	Shift General Fund support for CALFED Bay-Delta Program to Proposition 50.	15,000	Yes	No
DWR	Revert funding for Local Flood Control Subventions.	58,104	Yes	No
DWR	Eliminate funding for North Coast Watershed Assessments.	321	Yes	No
DWR	Reduce funding for flood management activities.	598	Yes	No
DWR	Reduce funding for water management activities.	96	Yes	No
DWR	Reduce funding for out-of-state travel.	137	Yes	No
DWR	Reduce funding for oversight and coordination of CALFED.	365	Yes	No
DWR	Reduce funding for Tehama flood control project.	833	Yes	No

ARB	Revert zero emission grant funds.	2,000	Yes	No
ARB	Reduce funding for out-of-state travel.	6	Yes	No

IWMB	Shift funding for the Border Program to the Integrated Waste Management Account.	70	Yes	No
DPR	Eliminate funding for pest management grants.	352	Yes	No
DPR	Reduce funding for Market Surveillance Residue grants.	195	Yes	No
DPR	Reduce funding for out-of-state travel.	14	Yes	No
SWRCB	Reduce funding for water quality monitoring activities.	846	Yes	No
SWRCB	Reduce funding for water rights program.	610	Yes	No
SWRCB	Eliminate funding for agricultural waste management program.	450	Yes	No
SWRCB	Reduce funding for Salton Sea restoration activities.	350	Yes	No
SWRCB	Reduce funding for training and equipment.	130	Yes	No
SWRCB	Reduce funding for investigations and cleanup activities.	25	Yes	No
SWRCB	Reduce funding for out-of-state travel.	11	Yes	No
Toxics	Reduce funding for state and federal oversight activities.	1,400	Yes	No
Toxics	Reduce funding for illegal drug lab cleanup guideline development activities.	912	Yes	No
Toxics	Reduce funding for the Off-highway Emergency Response Program.	96	Yes	No
Toxics	Reduce funding for out-of-state travel.	9	Yes	No
OEHHA	Reduce funding for operations and personnel services.	185	Yes	No
OEHHA	Reduce funding for pesticide and environmental toxic program.	107	Yes	No
Food and Ag	Reduce funding for weed and vertebrate bio-control programs.	750	Yes	No
Food and Ag	Reduce funding for exotic pest control program.	230	Yes	No
Food and Ag	Reduce funding for out-of-state travel.	115	Yes	No